



TOURISM
ECONOMICS

AN OXFORD ECONOMICS COMPANY

Economic Impact of Short-Term Vacation Rentals

Coachella Valley 2021

Prepared for:

visit  *greater*
palm springs

TABLE OF CONTENTS

- 1** Introduction
- 2** Key Findings
- 3** Overall Coachella Valley Tourism in 2021
- 4** STVR Visitation and Spending
- 5** Total Economic Impact: STVRs in the Region
- 6** Methodology and Data Sources

1 Introduction



Introduction

The travel sector is an integral part of the Coachella Valley regional economy. Visitors generate significant economic benefits to households, businesses, and government alike and represent a critical driver of the region's future. An estimated 12.8 million visitors spent \$5.6 billion in the Coachella Valley in Calendar Year (CY) 2021. This direct spending generated total gross output (business sales) of \$6.8 billion, more than 37,000 jobs, \$1.3 billion in income earned in the region, and \$644 million in state and local tax revenues.

A significant share of visitors to the Coachella Valley stay in short-term vacation rentals (STVRs), and their spending drives local jobs and income. Just under 1.3 million visitors staying in STVR accommodations accounted for 10% of total visitor volume, and their \$829 million in spending accounted for 15% of total visitor spending in the region in (CY) 2021.



Nearly 1.3 million visitors to the Coachella Valley stayed in STVRs during 2021

Just under 1.3 million visitors staying in STVR accommodations accounted for 10% of total visitor volume in the Coachella Valley.



STVR visitor spending amounted to \$829 million

STVR visitor spending was \$829 million in (CY) 2021, accounting for 15% of total visitor spending in the region.



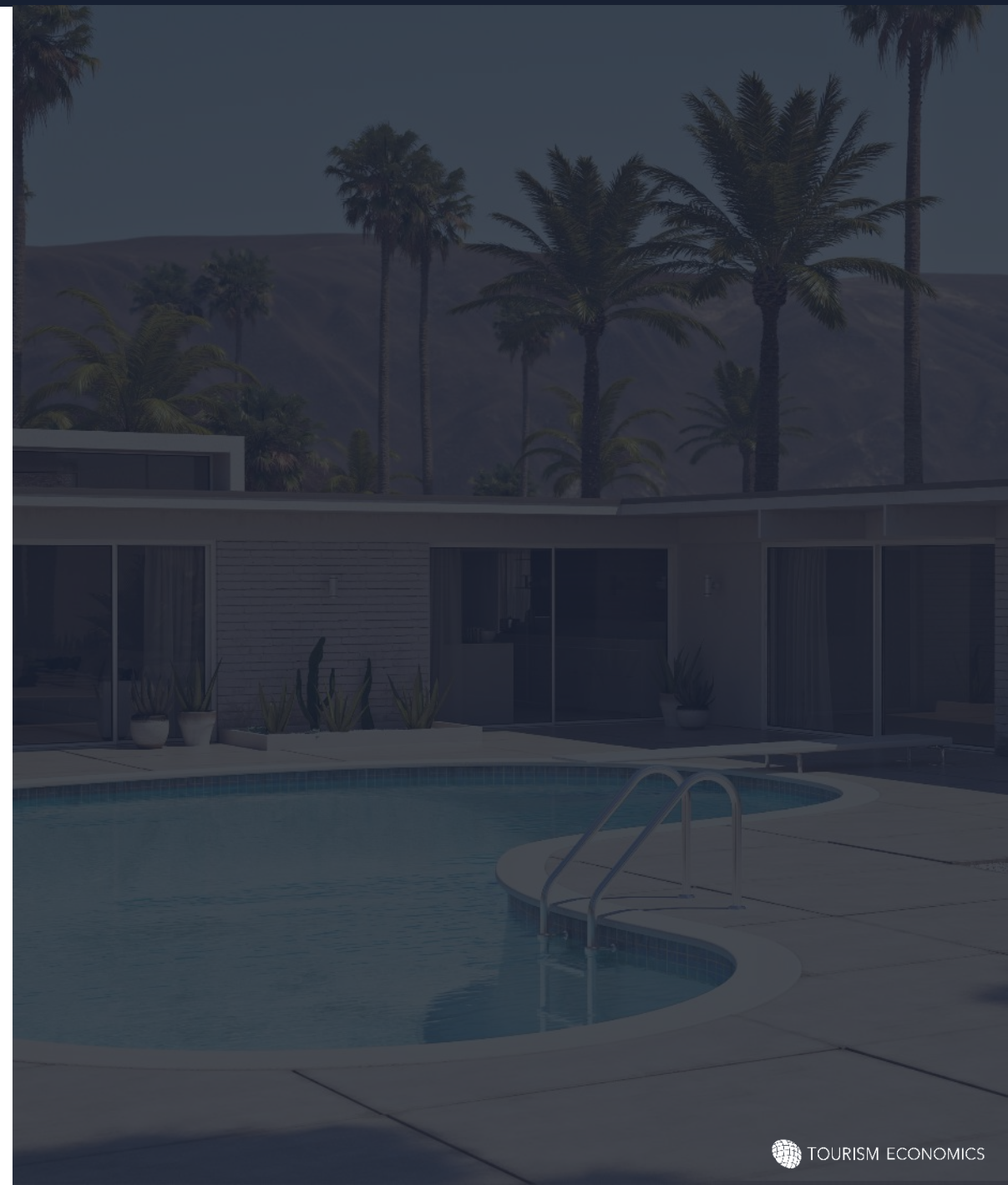
Visitor spending stimulates additional spending, supporting jobs, incomes, and tax revenue

Direct spending generated \$989 million in total business sales, including indirect and induced impacts. This total economic impact sustained 4,649 jobs and generated \$122 million in state and local tax revenues in 2021.

Introduction

By monitoring the visitor economy and the STVR segment of the market, local policymakers can inform decisions regarding the funding and prioritization of the sector's development and also craft balanced and effective local regulations. Policymakers can also carefully monitor its successes and future needs. This is particularly true for municipalities in the Coachella Valley, as it builds upon its tourism economy, and as STVRs are increasingly utilized by visitors to the region.

Previous analysis conducted by Tourism Economics quantified the overall tourism economy in the region. This analysis explores in depth the contribution to the regional economy of the STVR segment of the broader tourism market. The results of this study measure the benefits of short-term vacation rentals in terms of direct visitor spending, as well as the total economic impacts, jobs, and fiscal (tax) impacts in the broader economy.





2 Key Findings: Coachella Valley

VISITATION, SPENDING, AND EMPLOYMENT

Short-term vacation rentals accounted for an important share of the tourism market in 2021.

Visitors at short-term vacation rentals were a key driver of business sales, employment, and tax revenue in the Coachella Valley in 2021. The strong demand for this type of overnight stay continued into 2021, as total spending by STVR visitors increased by 47% relative to the prior year – accounting for 15% of all visitor spending in the region. Considering just overnight visitor spending, STVRs accounted for one-quarter of the market.



VISITOR SPENDING

STVR visitors to the Coachella Valley spent \$829 million in (CY) 2021. This direct spending generated \$989 million in total business sales, including indirect and induced impacts.



EMPLOYMENT SUPPORTER

A total of 4,649 jobs were sustained by STVR visitors to the Coachella Valley in (CY) 2021, generating \$121 million in income for workers in the region.



FISCAL CONTRIBUTIONS

STVRs in the Coachella Valley generated \$166 million in tax revenues in (CY) 2021, with \$122 million accruing to state and local governments.

ECONOMIC IMPACTS OF STVR IN COACHELLA VALLEY



\$989M

Total
Economic
Impact



4,649

Jobs Sustained
by STVR
Visitors



\$122M

Total
State & Local
Tax Revenues



3 Overall Coachella Valley Tourism in 2021

Tourism Economy Trends

Visitor volumes and spending rebounded in 2021

Recovery in 2021

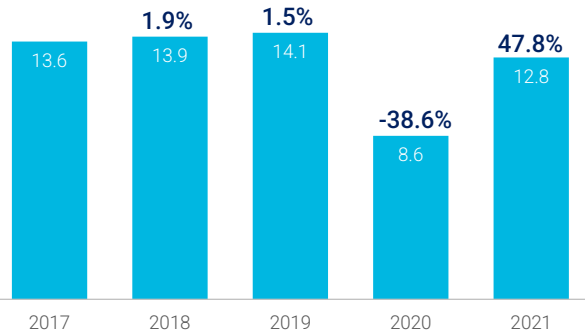
Visitor volume was severely impacted in 2021 by COVID-19 restrictions and closures.

In 2021, travel confidence rebounded due to easing restrictions and effective vaccines. With an increase of more than four million visitors over the prior year, total visitation remains about 10% below 2019 volumes.

Visitor spending in Greater Palm Springs registered \$5.6 billion in 2021, an increase of more than \$2 billion in comparison to 2020. Following a year in which both visitation and visitor spending were severely impacted by the pandemic, 2021 was a year of recovery.

Coachella Valley total visitation

Amounts in millions



Source: Tourism Economics



The Coachella Valley welcomed 12.8 million visitors in 2021.

Overnight visitation grew faster than day visitation, by 58% compared to a 40% increase on the day side.



Strong lodging spending growth

By spending category, lodging spending, including second homes, grew fastest (63%) versus the previous year – a result of strong price and demand growth – after declining 40% in 2020.



Total business sales amounted to \$6.8 billion

Direct visitor spending was \$5.6 billion in 2021 – 58% higher in 2021 versus a year earlier, reaching 95% of 2019 levels. This direct spending of \$5.6 billion generated a total economic impact of \$6.8 billion in the regional economy after indirect and induced impacts are accounted for.

Tourism Economy Trends

Visitor volumes and spending

Visitor volumes grew 48%, to 12.8 million

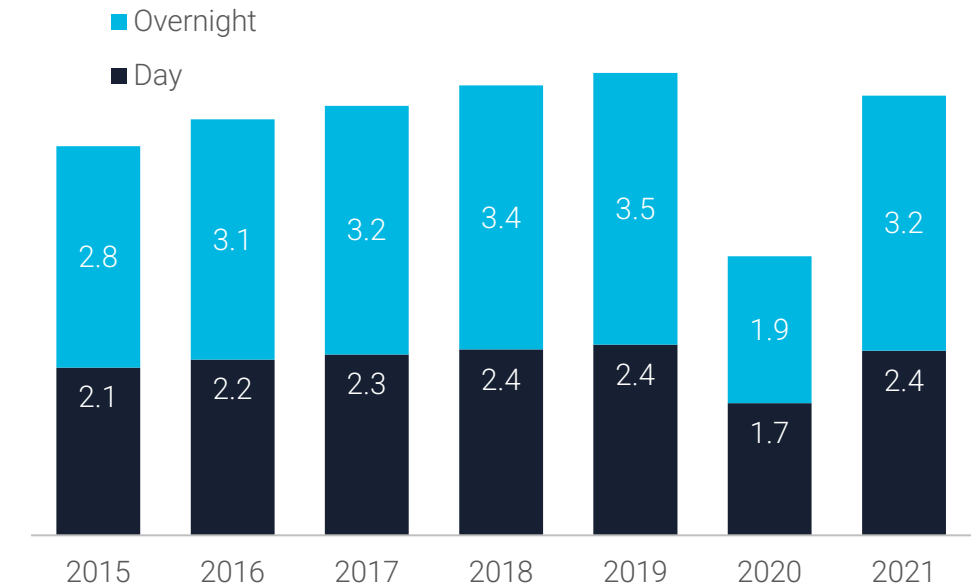
Visitation expanded 48% in 2021 and remains largely dominated by domestic visitors. International visitation continues to lag the overall visitor market and accounts for just 1.5% of overall visitation.

Overnight visitation growth outpaced day travel (+58% vs +40%), but day visitors still comprise the majority (55%) of overall visitation to the region.

Overnight visitation remains at about 90% of 2019 levels.

Coachella Valley visitor spending by segment

Amounts in billions of nominal dollars



Sources: Tourism Economics



4

Visitation and Spending: Short-Term Vacation Rentals

Visitation and Spending

Short-term vacation rental segment

The STVR segment is an important share of the total overnight market

Considering just the overnight segment of the market, the nearly 1.3 million visitors who stayed in short-term vacation rentals accounted for approximately 23% of total overnight volume.

Those visitors spent \$829 million in the Coachella Valley, contributing almost 26% of total overnight visitor spending in the region.

Coachella Valley STVR visitor volume and spending

Amounts in millions

	2020	2021	% change
Volume (mils)			
Total overnight	3.624	5.739	58.4%
Short-term rentals	0.990	1.302	31.5%
Share of overnight	27.3%	22.7%	
Spending (\$mils)			
Total overnight	\$1,870.8	\$3,248.5	73.6%
Short-term rentals	\$564.1	\$828.9	46.9%
Share of overnight	30.2%	25.5%	

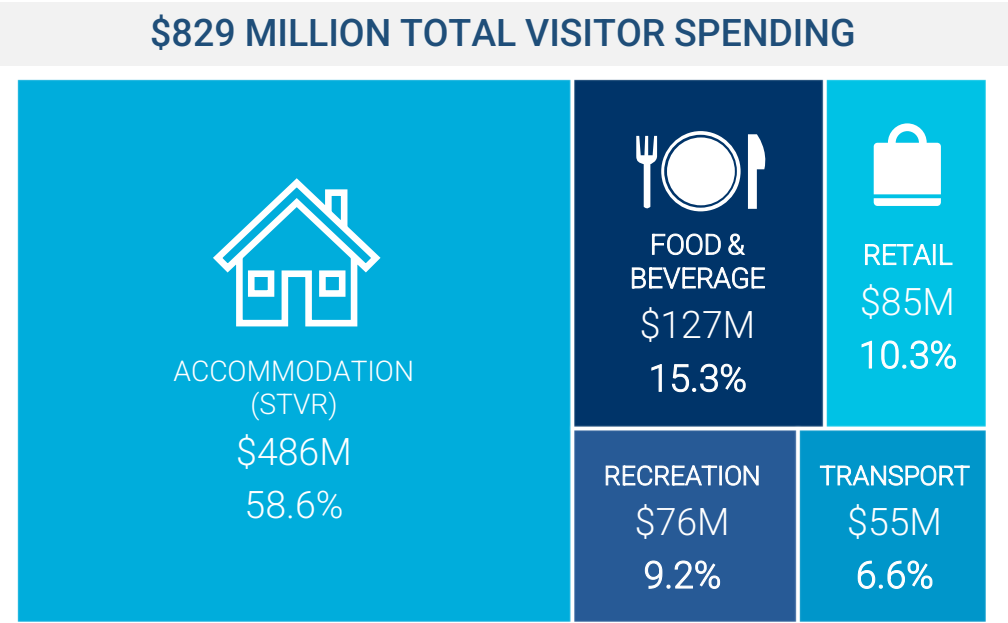
Sources: Tourism Economics

Visitation and Spending

Short-term vacation rental segment

STVR visitors to the Coachella Valley spent \$829 million across a range of sectors

Accommodations accounted for most spending at \$486 million, 59% of the total, followed by \$127 million in food and beverage spending, \$85 million in retail, \$76 million in recreation, and \$55 million on transportation.



Note: Transport includes both air and local transportation
Sources: Tourism Economics



5 STVR Economic Impact: Coachella Valley

Economic Impact Approach

How visitor spending generates employment and income

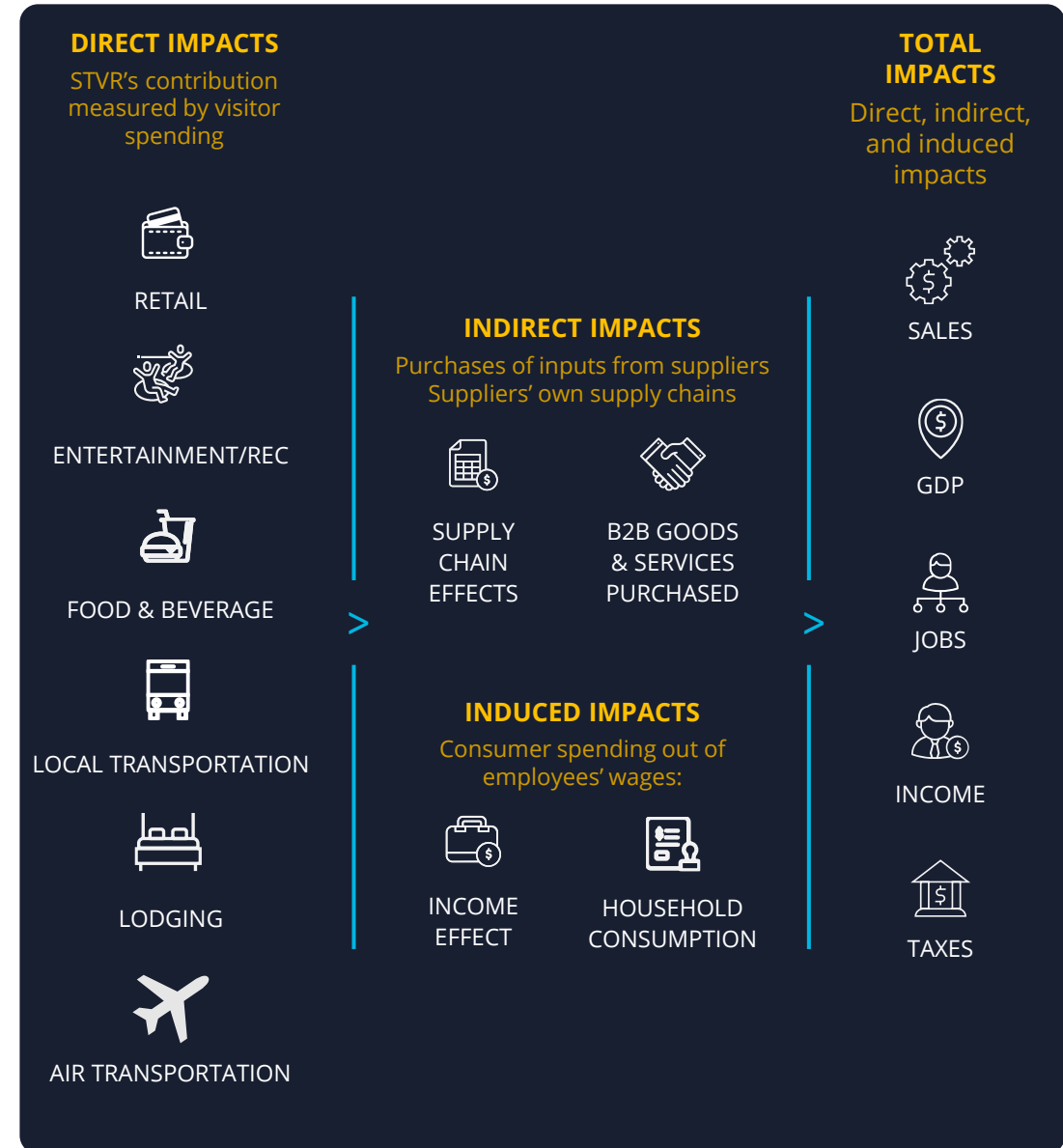
Our analysis of the STVR impact on the Coachella Valley begins with actual spending by visitors but also considers the downstream effects of this injection of spending into the local economy. To determine the total economic impact in the Coachella Valley, we input visitor spending into a model of the Riverside County economy created in IMPLAN. The model calculates three distinct types of impact: direct, indirect, and induced.

The impacts on business sales, jobs, wages, and taxes are calculated for all three levels of impact.

1. Direct Impacts: Visitors create direct economic value within a discreet group of sectors (e.g., recreation, transportation). This supports a relative proportion of jobs, wages, taxes, and GDP within each sector.
2. Indirect Impacts: Each directly affected sector also purchases goods and services as inputs (e.g., food wholesalers, utilities) into production. These impacts are called indirect impacts.
3. Induced Impacts: Lastly, the induced impact is generated when employees whose wages are generated either directly or indirectly by visitors spend those wages in the local economy.

IMPLAN is particularly effective because it calculates these three levels of impact – direct, indirect, and induced – for a broad set of indicators. These include the following:

- Spending
- Wages
- Employment
- Federal Taxes
- State Taxes
- Local Taxes



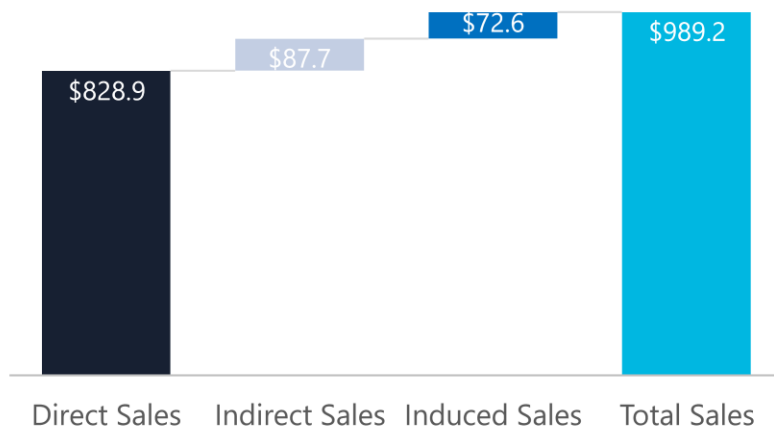
Economic Impacts

Business sales impacts by industry

Short-term vacation rental visitors spent \$829 million in the Coachella Valley in 2021. This supported a total of \$989 million in business sales when indirect and induced impacts are considered.

Summary business sales impacts

(\$ millions) 2021



Business sales impacts by industry

(\$ millions) 2021

	Direct Business Sales	Indirect Business Sales	Induced Business Sales	Total Business Sales
Total, all industries (\$ millions)	\$828.9M	\$87.7M	\$72.6M	\$989.2M
Accommodation	\$485.5	\$0.0	\$0.0	\$485.6
Food & Beverage	\$121.5	\$2.1	\$5.9	\$129.4
Retail Trade	\$107.5	\$2.1	\$8.5	\$118.1
Recreation and Entertainment	\$76.0	\$4.1	\$1.0	\$81.1
Finance, Insurance and Real Estate	\$7.0	\$30.2	\$23.5	\$60.8
Other Transport	\$15.5	\$6.4	\$1.9	\$23.8
Business Services		\$18.0	\$5.1	\$23.1
Air Transport	\$15.8	\$0.1	\$0.1	\$16.0
Education and Health Care		\$0.2	\$11.4	\$11.6
Construction and Utilities		\$9.2	\$1.6	\$10.8
Personal Services		\$3.0	\$5.0	\$8.0
Wholesale Trade		\$4.0	\$3.6	\$7.5
Government		\$3.9	\$2.4	\$6.3
Communications		\$3.0	\$2.1	\$5.1
Manufacturing		\$1.4	\$0.4	\$1.8
Agriculture, Fishing, Mining		\$0.1	\$0.1	\$0.1

Source: Tourism Economics

Note: Sums may not total due to rounding.

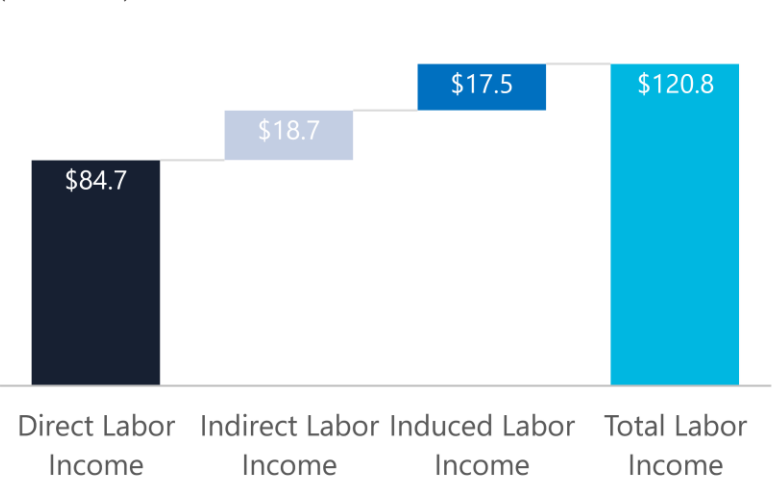
Economic Impacts

Personal Income impacts by industry

STVR visitors generated \$85 million in direct income and \$121 million when indirect and induced impacts are considered.

Summary personal income impacts

(\$ millions) 2021



Personal income impacts by industry

(\$ millions) 2021

	Direct Personal Income	Indirect Personal Income	Induced Personal Income	Total Personal Income
Total, all industries (\$ millions)	\$84.7M	\$18.7M	\$17.5M	\$120.8M
Food & Beverage	\$40.8	\$0.8	\$1.9	\$43.5
Recreation and Entertainment	\$21.3	\$0.4	\$0.3	\$22.0
Retail Trade	\$10.6	\$0.6	\$2.5	\$13.6
Accommodation	\$7.8	\$0.0	\$0.0	\$7.8
Business Services		\$5.8	\$1.6	\$7.5
Other Transport	\$2.7	\$2.3	\$0.6	\$5.6
Education and Health Care		\$0.1	\$5.3	\$5.4
Finance, Insurance and Real Estate	\$0.1	\$3.1	\$1.0	\$4.3
Personal Services		\$1.2	\$2.1	\$3.3
Construction and Utilities		\$1.7	\$0.3	\$2.0
Government		\$1.2	\$0.7	\$1.9
Wholesale Trade		\$0.8	\$0.7	\$1.5
Air Transport	\$1.4	\$0.0	\$0.0	\$1.4
Communications		\$0.3	\$0.2	\$0.6
Manufacturing		\$0.2	\$0.1	\$0.3
Agriculture, Fishing, Mining		\$0.0	\$0.0	\$0.1

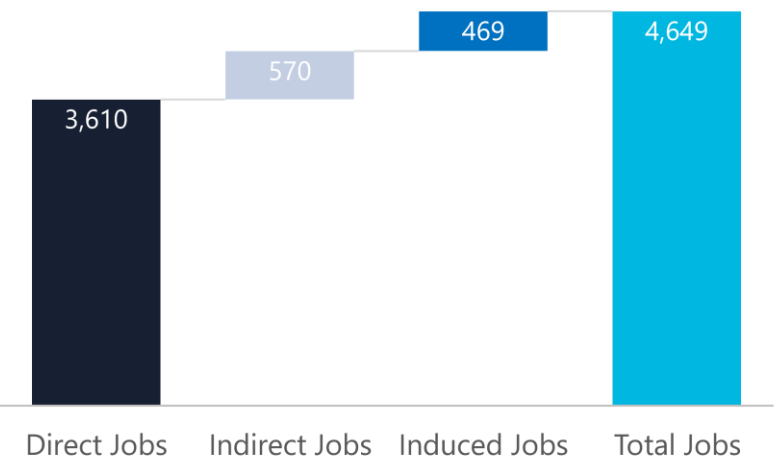
Source: Tourism Economics
 Note: Sums may not total due to rounding.

Economic Impacts

Employment impacts by industry

STVR visitor spending supported a total of 4,649 jobs when indirect and induced impacts are considered.

Summary employment impacts
(number of jobs) 2021



Employment impacts by industry
(Number of jobs) 2021

	Direct Employment	Indirect Employment	Induced Employment	Total Employment
Total, all industries	3,610	570	469	4,649
Food & Beverage	1,287	26	71	1,384
Recreation and Entertainment	933	70	16	1,019
Accommodation	680	0	0	680
Retail Trade	399	16	78	493
Other Transport	267	57	23	347
Business Services		156	46	202
Finance, Insurance and Real Estate	11	146	41	198
Education and Health Care		2	101	103
Personal Services		30	64	94
Construction and Utilities		35	5	40
Air Transport	33	0	0	33
Wholesale Trade		11	9	20
Government		11	7	18
Communications		5	4	9
Manufacturing		4	2	6
Agriculture, Fishing, Mining		1	2	3

Source: Tourism Economics
Note: Sums may not total due to rounding.

Fiscal (Tax) Impacts

Tax impacts by industry

Total tax revenues driven by STVRs amounted to \$165.7 million in (CY) 2021.

State and local tax revenues totaled \$121.8 million in (CY) 2021, consisting primarily of sales tax, lodging tax (TOT), and property tax.

Fiscal (tax) impacts

(\$ millions) 2021

	Total
Total tax revenues	\$165.7M
Federal	\$43.9M
Personal Income	\$11.3
Corporate	\$10.9
Indirect business	\$4.7
Social Security	\$17.0
State	\$47.6M
Sales	\$33.2
Social Security	\$0.8
Corporate	\$4.9
Personal income tax	\$4.5
Other Taxes and Fees	\$4.2
Local	\$74.3M
Sales	\$10.0
Lodging	\$37.0
Property	\$23.3
Other Taxes and Fees	\$4.0

Source: Tourism Economics

Note: Sums may not total due to rounding.

Economic Impacts in Context

Spending, jobs, and income impacts in Coachella Valley



\$829M

Direct
Visitor
Spending

The \$829 million in visitor spending corresponds to \$2.3 million per day in visitor spending, on average.



\$989M

Total
Business
Sales

Direct visitor spending supported \$989 million in total business sales when indirect and induced impacts are included.



4,649

Total Part-Time
and Full-Time
Jobs

The number of total jobs sustained by STVR visitors.



\$122M

Total
State & Local
Tax Revenues

The \$122 million in state and local taxes generated by STVRs would cover the average salaries for 740 firemen, 900 police officers, or 1,400 teachers in the Coachella Valley.



6 Methodology and Data Sources

Methodology and Data Sources

An IMPLAN input-output model was constructed for Riverside County. The model traces the flow of visitor-related expenditures through the local economy and their effects on employment, wages, and taxes. IMPLAN also quantifies the indirect (supplier) and induced (income) impacts of tourism. Tourism Economics then cross-checked these findings with employment and wage data for each sector to ensure the findings are within reasonable ranges. Modeling results were then calibrated to reflect the benefits realized only in the nine municipalities included in the Coachella Valley. These include:

- Palm Springs
- Desert Hot Springs
- Cathedral City
- Rancho Mirage
- Palm Desert
- Indian Wells
- La Quinta
- Indio
- Coachella

Estimates of STVR visitor expenditures in the Coachella Valley were based on several sources including:

- Data covering supply, demand, and prices in the short-term vacation rental market obtained from AirDNA and Key Data.
- Prior visitor profile survey research completed by Visit Greater Palm Springs.
- Transient Occupancy Tax data for vacation rentals was obtained from the respective municipalities, budget documents, and Tourism Economics estimates.
- Industry data on employment, wages, and sales from the U.S. Census, the Bureau of Economic Analysis, and the Bureau of Labor Statistics.

About Tourism Economics

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of the travel sector with proven economic tools to answer the most important questions facing our clients. More than 500 companies, associations, and destination work with Tourism Economics every year as a research partner. We bring decades of experience to every engagement to help our clients make better marketing, investment, and policy decisions. Our team of highly-specialized economists deliver:

- Global travel data-sets with the broadest set of country, city, and state coverage available
- Travel forecasts that are directly linked to the economic and demographic outlook for origins and destinations
- Economic impact analysis that highlights the value of visitors, events, developments, and industry segments
- Policy analysis that informs critical funding, taxation, and travel facilitation decisions
- Market assessments that define market allocation and investment decisions

Tourism Economics operates out of regional headquarters in Philadelphia and Oxford, with offices in Belfast, Buenos Aires, Dubai, Frankfurt, and Ontario.

Oxford Economics is one of the world's foremost independent global advisory firms, providing reports, forecasts and analytical tools on 200 countries, 100 industrial sectors and over 3,000 cities. Our best-of-class global economic and industry models and analytical tools give us an unparalleled ability to forecast external market trends and assess their economic, social and business impact. Headquartered in Oxford, England, with regional centers in London, New York, and Singapore, Oxford Economics has offices across the globe in Belfast, Chicago, Dubai, Miami, Milan, Paris, Philadelphia, San Francisco, and Washington DC, we employ over 250 full-time staff, including 150 professional economists, industry experts and business editors—one of the largest teams of macroeconomists and thought leadership specialists.

For more information:

info@tourismeconomics.com